

*To: Mayor & Council
BC 12.8.10*



MEMORANDUM

TO: Beverly R. Cameron, City Manager
FROM: Mark Whitley, Assistant City Manager *mw*
DATE: November 22, 2010
SUBJECT: 1915 Charles Street - Real Estate Tax Exemption
Maranatha Music Ministries, Inc.

ISSUE

Shall the City Council grant real estate tax exemptions to real estate owned by Maranatha Music Ministries, Inc.?

RECOMMENDATION

Staff recommends hearing public testimony on these items, as required under Virginia law. After public testimony, staff recommends adopting on first reading an ordinance granting the exemption.

BACKGROUND

Maranatha Music Ministries, Inc., has purchased property at 1915 Charles Street. The effective date of the transfer was November 12, 2010. The property was previously owned by the Victory Rebekah Lodge Number 12, and has been exempt from property taxation up to the change of ownership. Maranatha Music Ministries is requesting that the City Council grant a tax exemption by designation for this property. The lodge would primarily be used for choral and other religious music rehearsals, consistent with the mission of the ministry. The lodge would continue to be used for civic group meetings, and is also currently used for church services on Wednesday nights and Sunday mornings. It is not the intent of Maranatha Music Ministries to give concerts at the 1915 Charles Street location.

City Code §70-92.1 authorizes City Council to designate any real property owned by a non-profit organization that uses such property solely for religious, charitable, patriotic, historical, benevolent, cultural, or public park or playground purposes as tax exempt. There are specific findings listed under the section of the City Code relating to the organization and its activities. The conditions are listed in the table below. The Council shall consider each of the questions below, as well as any other criteria, facts, or circumstances that the Council deems pertinent, before adopting the ordinance granting the designation. In addition, the actual use of the land must be appropriate to receive a tax exemption designation.

Conditions Under City Code	Discussion / Staff Recommended Findings
Does the Organization have any rule, regulation, policy, or practice that unlawfully discriminates on the basis of religious conviction, race, color, sex, or national origin?	No
Is the Organization exempt from taxation pursuant to Section 501 (c) 3 of the Internal Revenue Code?	Yes
Does the Organization hold a current annual alcoholic beverage license from the VABC for serving alcoholic beverages on such property?	No
Does any part of the net earnings of such organization inure to the benefit of any individual?	No
What percentage of the services provided by such organization is generated by funds received from donations, contributions, or local, state, or federal grants or funds? For purposes of this subsection, donations shall include the providing of personal services or the contribution of in-kind or other material services.	100%
What specific services does the organization provide for the common good of the public?	Maranatha Music Ministries, Inc., currently has three organized choirs – a Touring Choir for teenagers, a second Choir for 5 th -8 th graders; and a Choir for young adults. The group rehearses and performs locally and as a travelling choir. Maranatha Music Ministries, Inc. may form an Orchestra, which would also rehearse at the 1915 Charles Street property.
What percentage of the activities of the organization involve carrying on propaganda or otherwise attempting to influence legislation? Does the organization participate or intervene in any political campaign on behalf of any candidate for public office?	0% - Maranatha Music Ministries does not engage in this type of activity.

What is the amount of real property tax actually paid by the organization to the City for the preceding three (3) years on each parcel of property for which the group seeks a tax exemption?	None – organization purchased the property November 2010.
Additional Conditions	
In compliance with all city ordinances and regulations?	Yes
Delinquent in the payment of any city taxes, fees, or other charges?	No
Other Criteria, Facts, Circumstances	As Council sees fit

The City Council had adopted Resolution 08-140, which suspended consideration of additional tax exemptions. That suspension expired on June 30, 2010.

The timelines in the application do not coincide with the normal cycle of these applications, which are due to the Commissioner of the Revenue by May 1 for exemption on the tax year (fiscal year) which begins the following July. Staff suggests considering the application with the current year being the first year of the exemption, based on the transfer of title to Maranatha Ministries this November.

Year One	November 2010 – June 2011
Year Two	July 2011 – June 2012
Year Three	July 2012 – June 2013

The property is already exempt for July 2010 – November 2010 based on the prior ownership. Maranatha Ministries would need to re-apply for a continued exemption by May 1, 2013. The Commissioner could grant that extension as long as the use of the land and the ownership did not change, based on Ordinance 09-45 which granted that Authority to the Commissioner without requiring additional Council review.

FISCAL IMPACT

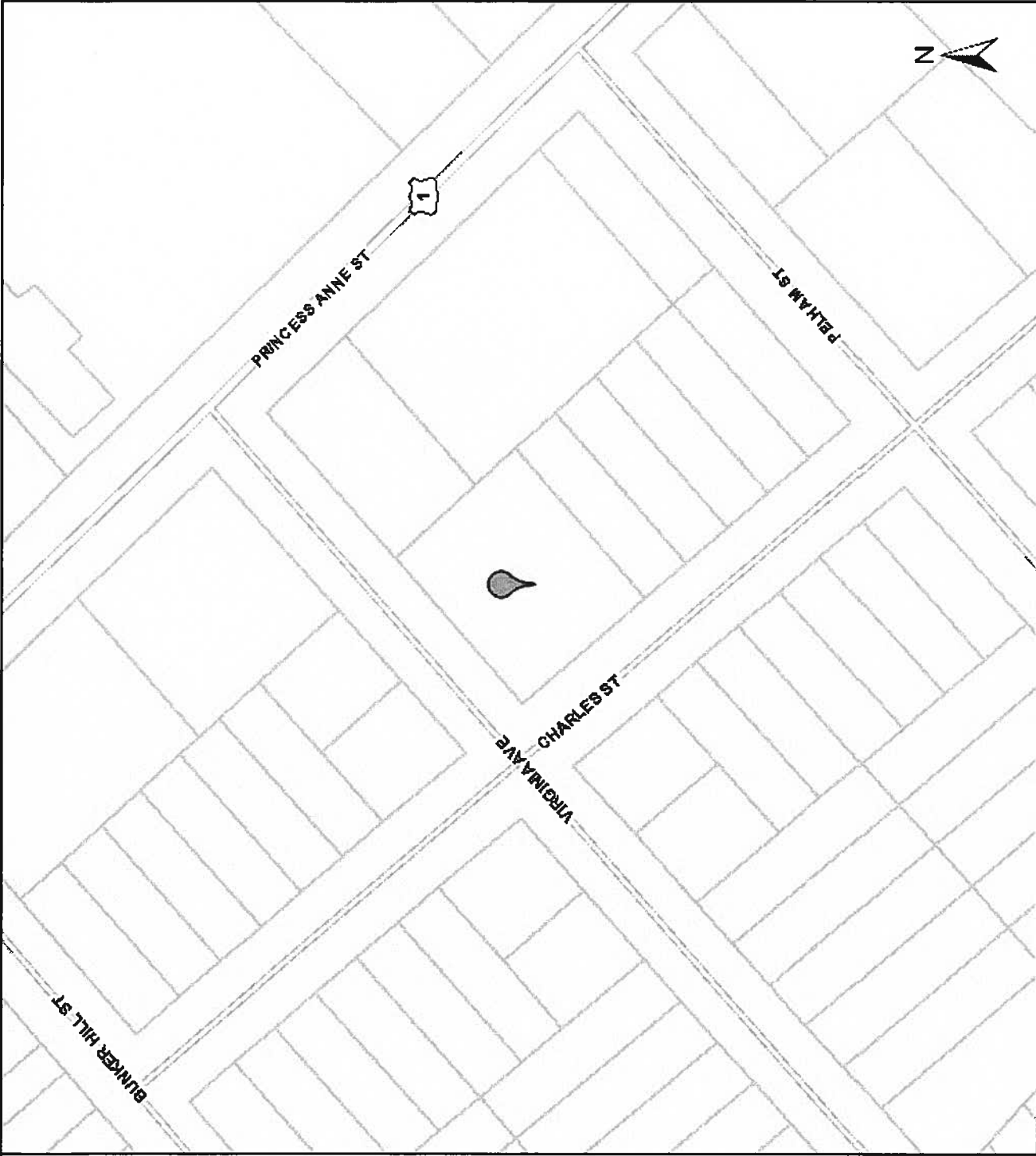
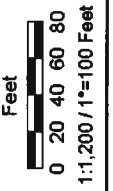
The current valuation of the property is \$501,600. The annual tax bill for the entire year would be \$3,411, although the amount for FY 2011 would be pro-rated based on the date of transfer. The granting of the exemption would cost a similar amount in future years, depending upon the tax rate and the assessment value.

Attachments: Tax-Exemption Ordinance – 1915 Charles Street
Related Applications

Fredericksburg, Virginia

Legend

-  City Boundary
-  Road Labels
-  Parcels



Title: 1915 Charles Street Tax Exemption Request

Date: 11/23/2010

Disclaimer: All information depicted on this map shall be treated as confidential information and shall only be used for the sole purpose for which it was provided. Any other use of this map, or the information included thereon, is strictly prohibited. The data shown on this map is for information purposes only and shall not be relied upon for the specific location of map features. The City Of Fredericksburg makes no representation or warranty as to the accuracy of the map, or the information shown thereon. This map may not be copied or otherwise made available to any other party in paper or electronic format without written consent from the City Of Fredericksburg.



MOTION:

December 14, 2010

SECOND:

Regular Meeting

Ordinance No. 10-

RE: DESIGNATING PROPERTY OWNED BY MARANATHA MUSIC MINISTRIES, INC., LOCATED AT 1915 CHARLES STREET, AS EXEMPT FROM REAL ESTATE TAXATION

ACTION: Ayes: Nays:

FIRST READ: _____ SECOND READ: _____

IT IS HEREBY ORDAINED by the City Council of the City of Fredericksburg, Virginia, as follows:

SEC. I. Findings.

Maranatha Music Ministries, Inc. has applied for the designation of real property it owns located at 1915 Charles Street, 0.337 acres shown as Tax Map parcel 161-A1915, as exempt from taxation pursuant to City Code §70-92.1. City Council held a public hearing on its application, after due notice, on December 14, 2010. Upon consideration of its application, and upon the full record submitted, the Fredericksburg City Council makes the following findings:

1. The applicant has no rule, regulation, policy or practice that unlawfully discriminates on the basis of religious conviction, race, color, sex or national origin;
2. The applicant is exempt from taxation pursuant to §501(c)(3) of the Internal Revenue Code of 1954;
3. The applicant does not hold a current annual alcoholic beverage license from the Virginia Alcoholic Beverage Control Board for serving beverages on the subject property;
4. The applicant does not pay any director, officer, or employee compensation in excess of a reasonable allowance for salary or other compensation for personal services which the director, officer, or employee actually renders;
5. No part of the net earnings of the organization inures to the benefit of any individual;
6. All of the services provided by the applicant are generated by funds received from donations, contributions, or local, state or federal grants or funds;

7. The applicant does provide specific services for the common good of the public, namely: presentation of concerts of religious music;
8. The applicant has paid \$0 in real property tax to the city for the preceding three years on the subject parcel; the parcel was tax exempt while owned by Victory Rebekah Lodge No. 12 of Fredericksburg, which conveyed the parcel to Maranatha Music Industries, Inc. by deed recorded November 12, 2010;
9. No personal property of the applicant is exempt from local taxation;
10. The property for which the exemption is requested is in use for choir practice and for meetings and assembly by religious, charitable and benevolent organizations.

SEC. II. Grant of Exemption.

The Fredericksburg City Council designates property located at 1915 Charles Street, specifically, 0.337 acres shown as Fredericksburg Tax Map parcel 161-A1915, as exempt from taxation pursuant to City Code §70-92.1. The specific use upon which the exemption is based is religious purposes. Continuation of this exemption shall be contingent on the continued use of the property exclusively for religious choir practice, religious activities, and meeting and assembly by religious, charitable, or benevolent groups; and the continued ownership of the property by Maranatha Music Ministries, Inc.

SEC. III. Effective Date.

This ordinance shall be effective as of November 12, 2010.

Approved as to form:


Kathleen Dooley, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 10-____ duly adopted the City Council meeting held _____, 2011 at which a quorum was present and voted.

Tonya Lacey
Clerk of Council



APPLICATION FOR REAL ESTATE TAX EXEMPTION

The information on this application must be filled out completely and returned to the City Manager's office by **May 1** to be eligible for exemption for the tax year beginning July 1 of the next fiscal year.

Please include:

1. A copy of the deed (s)
2. A copy of your current 501 (c) (3) certificate

NAME OF ORGANIZATION Maranatha Music Ministries, Inc.

MAILING ADDRESS P. O. Box 1842, College Station
Fredericksburg, Virginia 22402

CONTACT PERSON Carlton Onderdonk

PHONE NUMBER 540-373-0545

Complete the following on each parcel for which exemption is sought:

Name is which property is listed Maranatha Music Ministries, Inc.

Address of Property 1915 Charles Street, Fred., VA. 22401

Map Identification # 161A-1915

Name is which property is listed _____

Address of Property _____

Map Identification # _____

Name is which property is listed _____

Address of Property _____

Map Identification # _____

Please complete the following questions as referenced in City Ordinance 04-12 (copy enclosed) and Code of Virginia 58.1-3651:

1. Do you currently own any property in the City that is already tax exempt?

 Yes NO No

If yes, what is the property Map ID #? _____

When was the exemption granted (date)? _____

How/By whom was the exemption granted? _____

2. Does the organization hold a current annual alcoholic beverage license from the Virginia Alcoholic Beverage Control Board for serving alcoholic beverages on the property? If yes, please attach a copy.

Yes NO No

3. What compensation is paid to each director, officer and employee of the organization?

~~Music Director - Second Generation Choir - \$1,000 Susan Cruse~~

Music Director - Touring Choir - \$1,300 Chris Ryder

Music Director - Gospel Choir - \$ 450 Monika Beale

Bell Director - Second Generation Choir -\$ 500 Katie Miller

- 4. What services does each director, officer and employee render?**

~~Each Director is retained for their music experience ,~~

knowledge and ability to lead. They spend large amounts of

time in preparation of their planned music repertoire prior

to working with their respective choir. We cannot afford their worst

5. Does any part of the net earnings of the organization benefit any individual? If so, explain.

The donation made to each Director is to be used by the Director

for his/her committed time.

6. What percentage of the services provided by this organization is generated by funds received from donations, contributions, or local, state or federal grants or funds? For purposes of this question, donations may include the providing of personal services or the contribution of in-kind or other material services.

Maranatha has for the 38 years it has been in existance, planned.

7. What specific services does the organization provide for the common good of the public?

Quality music in a Christian enviornment, sung by committed age
musicians.

→ and lived on the bases of offerings generated as a result of each choir concerts. ~~Other than this method, each member of each choir has an obligation that thet as a member must meet.~~

8. What percentage of the activities of the organization involve carrying on propaganda or otherwise attempting to influence legislation?

None

Does the organization participate or intervene in any political campaign on behalf of any candidate for public office? _____ Yes _____ NO _____ No

9. What is the amount of real property tax actually paid by the organization to the City for the preceding three (3) years on each parcel of property for which the group seeks a future tax exemption?

Parcel Map ID#

Tax Amount N/A

Parcel Map ID#

N / A
Tax Amount

Parcel Map ID#

N / A
Tax Amount

Signature

~~31 July 2010~~
Date

President, Board of Directors

Title

Notary

My commission expires _____

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JAN 7 1997

MARANATHA TOURING CHOIR
C/O CARLTON ONDERDONK
1209 RAPPAHANNOCK AVE
FREDERICKSBURG, VA 22401-5510

Employer Identification Number:
52-1597555
DLN:
17053333932007
Contact Person:
D. A. DOWNING
Contact Telephone Number:
(513) 241-5199
Our Letter Dated:
August, 1993
Addendum Applies:
No

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization that is not a private foundation until the expiration of your advance ruling period.

Your exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) is still in effect. Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Code because you are an organization of the type described in section 509(a)(2).

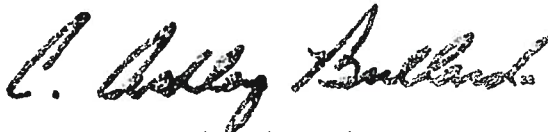
Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(2) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(2) organization.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,



District Director

Letter 1050 (DO/CG)

MARANATHA TOURING CHOIR INC

You are required to make available for public inspection a copy of your exemption application, and supporting documents, and this exemption letter. If you are required to file an annual information return, you are also required to make a copy of the return available for public inspection for three years after the return is due. Failure to make these documents available for public inspection may subject you to a penalty of \$10 per day for each day there is a failure to comply (up to a maximum of \$5,000 in the case of an annual return). See Internal Revenue Service Notice 88-120, 1988-2 C.B. 454, for additional information.

Contributions to your organization are not deductible by donors under section 170(c)(2) of the Code.

Under section 6113, any fund-raising solicitation (including a solicitation for membership dues payment) you make must include an express statement (in a conspicuous and easily recognizable format) that contributions and gifts are not deductible as charitable contributions for federal income tax purposes. This express statement does not apply, however, if your annual gross receipts are normally \$100,000 or less, or if your solicitations are made to no more than ten persons during a calendar year. The law provides penalties for failure to comply with this requirement, unless the failure is due to reasonable cause. See Internal Revenue Service Notice 88-120, 1988-2 C.B. 454, for additional information.



CITY OF FREDERICKSBURG, VIRGINIA

ORDINANCE NO. 04-12

**AN ORDINANCE ADDING SECTION 17-32.1 OF THE CITY CODE TO
ESTABLISH A PROCEDURE AND CRITERIA FOR THE GRANTING
OF REAL ESTATE TAX EXEMPTIONS TO CERTAIN NONPROFIT
ORGANIZATIONS BY DESIGNATION**

IT IS HEREBY ORDAINED by the City Council of the City of Fredericksburg, Virginia, that Article III of Chapter 17 of the City Code, relating to real estate taxes, shall be amended as follows:

SEC. I. Introduction.

The Virginia Constitution provides that, after January 1, 2003, localities may grant real estate and personal property tax exemptions to certain nonprofit organizations, a prerogative that had formerly been exercised solely by the legislature. The purpose of this ordinance is to establish a procedure and criteria by which City Council may consider requests for tax-exempt status by such organizations.

The Council finds that in order to promote the public health, safety, and welfare of the citizens of Fredericksburg, the City should establish a reasonable system by which tax relief can be extended to certain nonprofit organizations that provide valuable services to the community, while also recognizing the significant revenue loss that can result from granting permanent real estate tax exemptions.

SEC. II. City Code Amendments.

A new Section 17-32.1 shall be added to Chapter 17 of the City Code by the addition of the following language:

**"Sec. 17-32.1. Exemptions for designated real property
owned by certain nonprofit organizations.**

(a) The Council may by designation exempt from taxation any real property owned by a nonprofit organization that uses such property solely for religious, charitable, patriotic, historical, benevolent, cultural, or public park or playground purposes. No exemption shall be granted to any organization except under the following conditions:

- (1) The organization shall have no rule, regulation, policy or practice that

unlawfully discriminates on the basis of religious conviction, race, color, sex, or national origin;

- (2) No personal property of the organization shall be exempt from local taxation;
- (3) The organization must currently own real property in the city;
- (4) The property for which the exemption is requested shall not be occupied or used by any person as a dwelling or for other personal use; and
- (5) The exemption shall only apply to the specific parcel(s) of land for which the exemption is sought and not to any property that may be acquired in the future by such organization.

(b) Any organization seeking a real property tax exemption under this section shall submit an application to the city manager for the specific parcel(s) of property for which it seeks an exemption in accordance with an application form and written procedure developed by the city manager. Such application shall, at a minimum, include certifications, responses, and documentation, under oath, to the following questions:

- (1) Does the organization have any rule, regulation, policy, or practice that unlawfully discriminates on the basis of religious conviction, race, color, sex, or national origin?
- (2) Is the organization exempt from taxation pursuant to §501(c)(3) of the Internal Revenue Code of 1954?
- (3) Does the organization hold a current annual alcoholic beverage license from the Virginia Alcoholic Beverage Control Board for serving alcoholic beverages on such property?
- (4) What compensation is paid to each director, officer, and employee of the organization and is such compensation in excess of a reasonable allowance for salary or other compensation for personal services which such director, officer, or employee actually renders?
- (5) Does any part of the net earnings of such organization inure to the benefit of any individual?
- (6) What percentage of the services provided by such organization is generated by funds received from donations, contributions, or

local, state or federal grants or funds? For purposes of this subsection, donations shall include the providing of personal services or the contribution of in-kind or other material services.

- (7) What specific services does the organization provide for the common good of the public?
- (8) What percentage of the activities of the organization involve carrying on propaganda or otherwise attempting to influence legislation? Does the organization participate or intervene in any political campaign on behalf of any candidate for public office?
- (9) What is the amount of real property tax actually paid by the organization to the city for the preceding three (3) years on each parcel of property for which the group seeks a tax exemption?

(c) Upon receipt of a complete application and receipt of an application fee of three hundred dollars (\$300.00), the city manager shall consult with the commissioner of the revenue and other city departments to determine whether the applicant (i) meets the minimum requirements of this section, (ii) is in compliance with all city ordinances and regulations, and (iii) is delinquent in the payment of any city taxes, fees, or other charges. Upon the completion of such review, the city manager shall cause a notice of a public hearing to be published at least once in a newspaper of general circulation in the city. The notice shall include the assessed value of the real property for which the exemption is requested as well as the property taxes assessed against such property. The public hearing shall not be held until at least five (5) days after the notice is published. The city manager shall apply the proceeds of the application fee to pay the cost of publication.

(d) The Council shall consider such application following the public hearing at which the public shall have an opportunity to be heard. The Council shall consider each of the questions set forth in subsection (b) above, as well as any other criteria, facts, or circumstances that the Council deems pertinent, before adopting an ordinance granting the exemption. The ordinance shall state the specific use on which the exemption is based. Continuation of the exemption shall be contingent on the continued use of the property in accordance with the purpose for which the organization is designated.

(e) Any real property tax exemption granted pursuant to this section shall expire on May 1 following the third anniversary of the date on which the exemption was granted unless the organization has filed a form with the commissioner of the revenue certifying, under oath, that the

organization and exempt property still meet the requirements of this section. If such organization fails to file such form by said date or otherwise fails to make proper certification, as determined by the commissioner of the revenue, such tax exemption shall expire."

(f) The commissioner of the revenue shall have the authority to request any relevant information, records, or other data from any charitable organization seeking a real estate tax exemption under this section or benefitting from any such exemption previously granted hereunder, to conduct audits of such organizations, and to take whatever measures he deems necessary and that are authorized by general law to ensure compliance with the purpose and intent of this section.

SEC. III. Effective Date.

This ordinance shall be effective immediately.

First Reading: April 13, 2004 Second Reading: April 27, 2004

Approved as to form:

James M. Pates 5/5/04
James M. Pates, City Attorney

CERTIFICATION:

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance 04-12 duly adopted at a City Council meeting held 4/27/04 at which a quorum was present and voted.

Deborah H. Naggs
Deborah H. Naggs, CMC
Clerk of Council

ord.taxexemptions.2



APPLICATION FOR REAL ESTATE TAX EXEMPTION

The information on this application must be filled out completely and returned to the City Manager's office by **May 1** to be eligible for exemption for the tax year beginning July 1 of the next fiscal year.

Please include:

1. A copy of the deed (s)
2. A copy of your current 501 (c) (3) certificate

NAME OF ORGANIZATION _____

MAILING ADDRESS _____

CONTACT PERSON _____

PHONE NUMBER _____

Complete the following on each parcel for which exemption is sought:

Name is which property is listed _____

Address of Property _____

Map Identification # _____

Name is which property is listed _____

Address of Property _____

Map Identification # _____

Name is which property is listed _____

Address of Property _____

Map Identification # _____

Please complete the following questions as referenced in City Ordinance 04-12 (copy enclosed) and Code of Virginia 58.1-3651:

1. Do you currently own any property in the City that is already tax exempt?
_____ Yes _____ No
If yes, what is the property Map ID #? _____
When was the exemption granted (date)? _____
How/By whom was the exemption granted? _____
2. Does the organization hold a current annual alcoholic beverage license from the Virginia Alcoholic Beverage Control Board for serving alcoholic beverages on the property? If yes, please attach a copy.
_____ Yes _____ No
3. What compensation is paid to each director, officer and employee of the organization?

4. What services does each director, officer and employee render?

5. Does any part of the net earnings of the organization benefit any individual? If so, explain.

6. What percentage of the services provided by this organization is generated by funds received from donations, contributions, or local, state or federal grants or funds? For purposes of this question, donations may include the providing of personal services or the contribution of in-kind or other material services.

7. What specific services does the organization provide for the common good of the public?

8. What percentage of the activities of the organization involve carrying on propaganda or otherwise attempting to influence legislation?

Does the organization participate or intervene in any political campaign on behalf of any candidate for public office? _____ Yes _____ No

9. What is the amount of real property tax actually paid by the organization to the City for the preceding three (3) years on each parcel of property for which the group seeks a future tax exemption?

Parcel Map ID#

Tax Amount

Parcel Map ID#

Tax Amount

Parcel Map ID#

Tax Amount

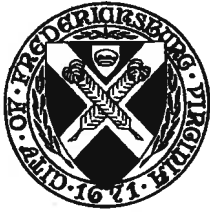
Signature

Date

Title

Notary

My commission expires



City of Fredericksburg Virginia

715 Princess Anne Street
P. O. Box 7447
Fredericksburg, VA 22404-7447

In response to your inquiry concerning tax exempt status for property owned by your organization, enclosed you will find an "Application for Real Estate Tax Exemption". Also enclosed is the ordinance from the City Code which sets forth the guidelines for exemption. Complete the application and submit it with the application fee of \$300.00 to:

City Manager
P. O. Box 7447
Fredericksburg, VA 22404-7447

If you have any questions, you may call the City Manager's office at 372-1010, or the Office of the Commissioner of the Revenue at 372-1207.

